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Attorney for Debtor

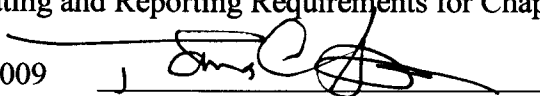
**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF CALIFORNIA**

In Re:)	
)	Case No. 08-10753-LA11
GRAY, TESLA)	Chapter 11
)	DEBTOR-IN-POSSESSION
Debtor in Possession.)	MONTHLY OPERATING
)	REPORT FOR THE MONTH OF
)	September 2009
)	HON. LOUISE DECARL ADLER
)	
)	
)	

TO: THE HONORABLE JUDGE LOUIS DECARL ADLER
UNITED STATES BANKRUPTCY JUDGE

The Debtor-in-Possession hereby files its monthly Operating Report for pursuant to the
United States Trustee's Operating and Reporting Requirements for Chapter 11 cases.

Dated: OCTOBER 29 , 2009



Thomas C. Nelson
Attorney for Debtor-in-Possession

UNITED STATES DEPARTMENT OF JUSTICE
OFFICE OF THE UNITED STATES TRUSTEE
SOUTHERN DISTRICT OF CALIFORNIA

In Re:

TESLA GRAY

Debtor.

CHAPTER 11

(BUSINESS)

CASE NO. 08-10753-LA11

OPERATING REPORT NO. 2

FOR THE MONTH ENDING:
September 30, 2009

1. CASH RECEIPTS AND DISBURSEMENTS
A. (GENERAL ACCOUNT*)

1. TOTAL RECEIPTS PER ALL PRIOR GENERAL ACCOUNT REPORTS \$ 6343.47
0.00

2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR GENERAL
ACCOUNT REPORTS. \$ 609.47

3. BEGINNING BALANCE: \$ 5735.00

4. RECEIPTS DURING CURRENT PERIOD**

ACCOUNTS RECEIVABLE – PRE FILING \$ 0.00

ACCOUNTS RECEIVABLE - -POST FILING \$ 0.00

GENERAL SALES \$

OTHER (SPECIFY): TNT HAIR SALON \$ 1,217.00

OTHER **(SPECIFY) \$ 0.00

TOTAL RECEIPTS THIS PERIOD: \$ 1217.00

5. BALANCE: \$ 6,952.00

6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD.

TRANSFERS TO OTHER DIP ACCOUNTS 0.00

DISBURSEMENTS \$ 1347.23

TOTAL DISBURSEMENTS THIS PERIOD*** \$ 1347.23

7. ENDING BALANCE: \$ 5604.77

8. GENERAL ACCOUNT NUMBER 2450581950

DEPOSITORY NAME AND LOCATION: WELLS FARGO BANK

2701 VISTA WAY, OCEANSIDE, CA 92054

*All receipts must be deposited into the general account.

***This amount should be the same as the total from page 2.

TOTAL DISBURSEMENTS FROM GENERAL ACCOUNT FOR CURRENT PERIOD

DATE	CHECK NO	PAYEE	PURPOSE	AMOUNT
9/3/09	1004	Martinez Landscaping	Upkeep	140.00
9/8/09	Debit	Chevron	Gas	51.31
9/11/09	Debit	Armstrong McCall	Supplies	53.08
9/14/09	Debit	Albertsons	Groceries	113.57
9/14/09	Debit	Petco	Pet Supplies	68.28
9/21/09	Debit	Marukasan	Groceries	71.64
9/21/09	Debit	Chevron	Gas	50.11
9/21/09	Debit	Sally Beauty	Supplies	29.83
9/25/09	1007	Cox Cable	Phone, Cable	162.72
9/28/09	Debit	Lenscrafters	Contacts	366.80
9/28/09	Debit	Eye Exam	Eye Exam	99.90
9/29/09	1008	Martinez Landscaping	Upkeep	140.00

TOTAL DISBURSEMENTS THIS PERIOD:

1347.23

GENERAL ACCOUNT
BANK RECONCILIATION*

Balance per bank statement dated: 9/30/2009

\$ 5604.77

Plus deposits in transit (a):

<u>Deposit Date</u>	<u>Deposit Amount</u>
<u> </u>	\$ <u> </u>
<u> </u>	\$ <u> </u>
<u> </u>	\$ <u> </u>

Total deposits in transit

\$ N/A

Less outstanding checks (a): N/A

<u>Check Number</u>	<u>Check Date</u>	<u>Check Amount</u>
<u>1006</u>	<u>8/28/2009</u>	<u>496.97</u>
<u>1009</u>	<u>9/29/2009</u>	<u>137.15</u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
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Total outstanding checks

< 637.05 >

Bank statement adjustments**

None

Adjusted bank balance

\$ 4,970.29

* It is acceptable to attach lists of deposits in transit and outstanding checks to this form or to replace this form with a similar form.

**Please attach a detailed explanation of any bank statement adjustment

I. CASH RECEIPTS AND DISBURSEMENTS (continued)**B. (PAYROLL ACCOUNT)**

1. TOTAL RECEIPTS PER ALL PRIOR PAYROLL ACCOUNT RECEIPTS: \$ N/A
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR PAYROLL
ACCOUNT REPORTS: \$ _____
3. BEGINNING BALANCE: \$ _____
4. RECEIPTS: \$ _____
TRANSFERRED FROM GENERAL ACCT.
5. BALANCE: \$ _____
6. LESS DISBURSEMENTS DURING CURRENT PERIOD: \$ _____

<u>DATE</u>	<u>CHECK NO.</u>	<u>PAYEE</u>	<u>AMOUNT</u>
N/A			

- TOTAL DISBURSEMENTS THIS PERIOD: \$ _____
7. ENDING BALANCE \$ _____
 8. PAYROLL ACCOUNT NUMBER _____ NONE
DEPOSITORY NAME AND LOCATION: _____ N/A

PAYROLL ACCOUNT
BANK RECONCILIATION*

Balance per bank statement dated: _____ \$ _____

Plus deposits in transit (a):

<u>Deposit Date</u>	<u>Deposit Amount</u>
_____	\$ _____
_____	\$ _____
_____	\$ _____

Total deposits in transit \$ _____

Less outstanding checks (a):

<u>Check Number</u>	<u>Check Date</u>	<u>Check Amount</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	N/A	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Total outstanding checks < _____ >

Bank statement adjustments** _____

Adjusted bank balance \$ N/A

** It is acceptable to attach lists of deposits in transit and outstanding checks to this form or to replace this form with a similar form.*

***Please attach a detailed explanation of any bank statement adjustment*

I. CASH RECEIPTS AND DISBURSEMENTS (Continued)**C. (TAX ACCOUNT)**

1. TOTAL RECEIPTS PER ALL PRIOR TAX ACCOUNT REPORTS: \$ _____
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR TAX ACCOUNT REPORTS: \$ _____
3. BEGINNING BALANCE: \$ _____
4. RECEIPTS: \$ _____
5. BALANCE: \$ _____
6. LESS: DISBURSEMENTS DURING CURRENT PERIOD: \$ _____

<u>DATE</u>	<u>CHECK NO.</u>	<u>PAYEE</u>	<u>PURPOSE</u>	<u>AMOUNT</u>
-------------	------------------	--------------	----------------	---------------

N/A

TOTAL DISBURSEMENTS THIS PERIOD: \$

7. ENDING BALANCE \$

8. TAX ACCOUNT NUMBER _____ NO TAX ACCOUNT _____
 DEPOSITORY NAME AND NUMBER _____ N/A _____

D. SUMMARY SCHEDULE OF CASH

ENDING BALANCES FOR PERIOD: 9/30/09

GENERAL ACCOUNT	\$ 4,970.29
PAYROLL ACCOUNT	\$ 0.00
TAX ACCOUNT	\$ 0.00
OTHER ACCOUNTS *	\$ 0.00
OTHER MONIES *	\$ 0.00
PETTY CASH **	\$ 0.00

TOTAL CASH AVAILABLE \$ 4,970.29

* specify the fund and type of holding i.e. CD, Savings Account, Investment securities, Etc. and the depository name, location and account number

** Attach exhibit itemizing all petty cash transactions.

NOTE: Attach copies of monthly accounts statements from financial institutions for each account.

TAX ACCOUNT
BANK RECONCILIATION*

Balance per bank statement dated: _____ \$ N/A

Plus deposits in transit (a):

<u>Deposit Date</u>	<u>Deposit Amount</u>
_____	\$ _____
_____	\$ _____
_____	\$ _____

Total deposits in transit \$ _____

Less outstanding checks (a):

<u>Check Number</u>	<u>Check Date</u>	<u>Check Amount</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	<u>N/A</u>	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Total outstanding checks < _____ >

Bank statement adjustments** _____

Adjusted bank balance \$ N/A

** It is acceptable to attach lists of deposits in transit and outstanding checks to this form or to replace this form with a similar form.*

***Please attach a detailed explanation of any bank statement adjustment*

Debtor-In-Possession Monthly Operating Report (Business) – Page 8 of 13

III. TAX LIABILITIES

FOR THE REPORTING PERIOD:

GROSS SALES SUBJECT TO SALES TAX

\$-0-

TOTAL WAGES PAID

\$-0-

FEDERAL WITHHOLDING
 STATE WITHHOLDING
 FICA – EMPLOYER’S SHARE
 FICA - EMPLOYEE’S SHARE
 FEDERAL UNEMPLOYMENT
 STATE WITHHOLDING
 SALES AND USE
 REAL PROPERTY
 OTHER: Medicare
TOTAL

TOTAL POST- PETITION AMOUNTS OWING	AMOUNT DELINQUENT	DATE DELINQUENT AMOUNT DUE
\$0.00	\$0.00	\$0.00

IV. AGING ACCOUNTS PAYABLE AND ACCOUNTS RECEIVABLE

30 days or less
 31-60 days
 61-90 days
 91-120 days
 Over 120 days
TOTAL

ACCOUNTS PAYABLE (POST-PETITION)	ACCOUNTS Pre-Petition	RECEIVBLE Post-Petition
	\$0.00	\$0.00
	\$0.00	\$0.00
	\$0.00	\$0.00
	\$0.00	\$0.00
	\$0.00	\$0.00
	\$0.00	\$0.00

V. INSURANCE COVERAGE

General Liability
Worker Compensation
Casualty
Vehicle

NAME OF CARRIER	AMOUNT OF COVERAGE	POLICY EXPIRATION DATE	PREMIUM PAID THROUGH:
Colony/Evanston Ins	3 Million	9-17-2009	9-17-09
N/A			
N/A			
Farmers	250/500/100	10-13-2009	10-13-09

**VI. UNITED STATES TRUSTEE QUARTERLY FEES
(TOTAL PAYMENTS)**

Qtrly Period Ending	Total Disbursements	Qtrly Fees	Date Paid	Amount Paid	Qtrly Fee Still Owing
9-09	0	\$325.00			\$325.00

VII. SCHEDULE OF COMPENSATION PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	Authorized Gross Compensation	Gross Compensation Paid During the Month
N/A			

VIII. SCHEDULE OF OTHER AMOUNTS PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	Description	Amount Paid During the Month
N/A			

IX. QUESTIONNAIRE

1. Has the Debtor-In-Possession made any payments on its pre-petition unsecured debt, except as have been authorized by the Court?

 x No.
 Yes. Explain _____

2. Has the Debtor-In-Possession during this reporting period provided compensation or remuneration to any officers, directors, principals, or other insiders without appropriate authorization?

 x No.
 Yes. Amount, to whom, and for what period?

3. State what progress was made during the reporting period toward filing a Plan of Reorganization:

Continuing efforts to refinance

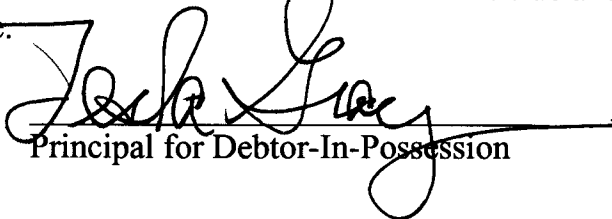
4. Describe potential future developments which may have a significant impact on the case.

Continuing efforts to refinance

5. Attach copies of all Orders granting relief from the automatic stay that were entered during the reporting period.

I, Tesla Gray, Principal, declare under penalty of perjury that I have fully read and understood the foregoing Debtor-In-Possession Monthly Business Operating Report and that the information contained herein is true and complete to the best of my knowledge.

Date: 10/29/2009


Principal for Debtor-In-Possession

IX. PROFIT AND LOSS STATEMENT
(ACCRUAL BASIS ONLY)

	<u>SEPTEMBER /09</u>	<u>Cumulative Post-Petition</u>
Operating Income--TNT Hair Salon	1,217.00	2,982.00
Operating Expenses:		
Gas	101.41	174.93
Groceries	185.21	472.84
Medical	466.70	476.70
Office		19.95
Insurance Health	0.00	496.97
Telephone and Utilities	162.72	454.51
Repairs and Maintenance	280.00	420.00
Travel and Entertainment		
Misc Expenses Pets	68.28	122.60
Total Operating Expenses	1,347.23	2,721.41
Net/(Profit/Loss) from Operations	(130.23)	260.59
Non-Operating Income:		
Interest Income		
Net Gain on Sale of Assets (Itemize)		
Other		
Total Non-Operating income	0.00	0.00
Non-Operating Expenses:		
Interest Expense		
Legal and Professional (Itemize)		
Total Non-Operating Expenses	0.00	0.00
NET INCOME	<u>\$ (130.23)</u>	<u>\$ 260.59</u>

**X. BALANCE SHEET
(ACCRUAL BASIS ONLY)**

ASSETS	Current Month End	9.30.09
Current Assets:		
Unrestricted Cash-Wells Fargo DIP	4,970.75	
Restricted Cash-Preferred Bank Interest Reserve Acct	19,096.72	
Contract Receivable-Suncal	34,240,306.00	
Inventory-Personal Goods	16,000.00	
Notes Receivable	2,037,000	
Prepaid Expenses	0.00	
Other-Roth IRA	270,930.00	
-Business Interests	35,000.00	
-Collection	140,000.00	
-Escrow Monies	200,000.00	
-Escrowed Deposit	300,000.00	
Total Current Assets		37,263,303.47
Property, Plant, and Equipment	29,848,000.00	
Net Property, Plant, and Equipment		29,848,000.00
Other Assets (Net of Amortization):		
Total Other Assets		0.00
TOTAL ASSETS		<u>67,111,303.47</u>
 LIABILITIES		
Post petition Liabilities:		
Accounts Payable		
Taxes Payable		
Notes Payable		
Professional fees		
Secured Debt	78,672.22	
Other (Itemize)		
Total Post petition Liabilities		78,672.22
Pre petition Liabilities:		
Secured Liabilities	32,758,114.00	
Priority Liabilities		
Unsecured Liabilities	28,253,538.00	
Other (Itemize)		
Total Prepetition Liabilities		61,011,652.00
TOTAL LIABILITIES		61,090,324.22
EQUITY:		
Pre petition Owners' Equity	6,126,866.00	
6,101,255.00		
Post petition Loss		
Direct Charges to Equity	105,886.75	
TOTAL EQUITY		6,020,979.25
 TOTAL LIABILITIES & EQUITY		<u>67,111,303.47</u>



Wells Fargo Online®

Account Activity

CHECKING XXX-XXX1950

Activity Summary

Ending Balance as of 10/16/09	\$5,034.61
Available Balance	\$4,945.89

Transactions

Show: All Transactions for Date Range 09/01/09 to 09/30/09

Date ▾	Description	Deposits / Additions	Withdrawals / Subtractions
Pending Transactions			
No pending transactions meet your criteria above.			
Posted Transactions			
09/29/09	CHECK # 1008		\$140.00
09/29/09	ONLINE TRANSFER REF #BE7ZWQY4T FROM CHECKING XXXXXX8451 ON 09/29/09	\$800.00	
09/28/09	CHECK CRD PURCHASE 09/25 EyeExam 30005201 CARLSBAD CA 486827XXXXXX0000 270940008858729 ?MCC=8043 121042882DA90		\$99.90
09/28/09	CHECK CRD PURCHASE 09/25 LensCrafters 10002459 CARLSBAD CA 486827XXXXXX0000 270940008858206 ?MCC=8043 121042882DA90		\$366.80
09/25/09	CHECK # 1007		\$162.72
09/25/09	ATM CHECK DEPOSIT - 2701 VISTA WAY OCEANSIDE CA 0000	\$400.00	
09/21/09	CHECK CRD PURCHASE 09/18 SALLY BEAUTY #0601 CARLSBAD CA 486827XXXXXX0000 263940011895962 ?MCC=5977 121042882DA90		\$29.83
09/21/09	CHECK CRD PURCHASE 09/19 CHEVRON 00205615 OCEANSIDE CA 486827XXXXXX0000 263940011476628 ?MCC=5542 121042882DA90		\$50.11
09/21/09	POS PURCHASE - SY8 MARUKAI CORSY8 MARUKASAN DIEGO CA 0000		\$71.64
09/14/09	POS PURCHASE - PETCO ANIMAL SUPETCO ANIMOCEANSIDE CA 0000		\$68.28
09/14/09	POS PURCHASE - #06733 ALBERTSON#06733 ALBOCEANSIDE CA 0000		\$113.57
09/14/09	ATM DEPOSIT - 2701 VISTA WAY OCEANSIDE CA 0000	\$217.00	
09/11/09	CHECK CRD PURCHASE 09/10 ARMSTRONG MCCALL CARLSBAD CA 486827XXXXXX0000 254940006254989 ?MCC=5999 121042882DA90		\$53.06
09/08/09	CHECK CRD PURCHASE 09/04 CHEVRON 00205615 OCEANSIDE CA 486827XXXXXX0000 249940011885353 ?MCC=5542 121042882DA90		\$51.30
09/03/09	CHECK # 1004		\$140.00
Totals		\$1,217.00	\$1,347.23

Equal Housing Lender

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PREFERRED BANK

029 01-00
PREFERRED BANK - LOS ANGELES
601 S. FIGUEROA ST 29TH FLOOR
LOS ANGELES, CA 90017
PHONE 213-891-1188

TESIA GRAY
INTEREST RESERVE ACCOUNT
P O BOX 538
FALLBROOK CA 92688

SAVINGS-REG/BUS
ACCOUNT: 1804456

07/01/09 THRU 09/30/09

PAGE 1

STATEMENTS ARE HERE - LOG ON PNet PERSONAL ONLINE BANKING TO ENROLL
VISIT OUR WEBSITE AT WWW.PREFERREDBANK.COM
PROTECT YOUR ACCOUNT BY CHECKING IT DAILY VIA PNet ONLINE BANKING
GREAT NEWS!! THE FDIC HAS EXTENDED THE TEMPORARY STANDARD INSURANCE
AMOUNT OF \$250,000 PER DEPOSITOR UNTIL DECEMBER 31, 2013

SAVINGS-REG/BUS ACCOUNT 1804456

DESCRIPTION	DEBITS	CREDITS	DATE	BALANCE
BALANCE LAST STATEMENT			06/30/09	20,681.92
ISSUE C/C#31366 TO THE RIGHT & RIGHT CO	325.00		07/17/09	20,356.92
ISSUE C/C#31367 TO THE RIGHT & RIGHT CO	325.00		07/17/09	20,031.92
ISSUE C/C#31387 TO HAWAIIAN APPRAISALS PER REQUEST	575.00		07/31/09	19,456.92
ISSUE C/C#31388 TO HAWAIIAN APPRAISALS PER REQUEST	575.00		07/31/09	18,881.92
INTEREST		5.23	07/31/09	18,887.15
INTEREST		4.85	08/31/09	18,892.01
INTEREST		4.71	09/30/09	18,896.72
BALANCE THIS STATEMENT			09/30/09	18,896.72

TOTAL CREDITS (3) 14.80
TOTAL DEBITS (4) 1,800.00

INTEREST

AVERAGE LEDGER BALANCE:	19,575.01	INTEREST EARNED:	14.80
AVERAGE AVAILABLE BALANCE:	19,575.01	DAYS IN PERIOD:	92
INTEREST PAID THIS PERIOD:	14.80	ANNUAL PERCENTAGE YIELD EARNED:	30%
INTEREST PAID 2009:	125.92		

END OF STATEMENT

